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SUBJECT: LATVIANS SEE IGNALINA LOSING MOMENTUM

Classified By: Ambassador Charles W. Larson for Reason 1.4(d).

¶1. (C) Summary: The mood among Latvian officials on prospects for building a new nuclear power facility in Ignalina, Lithuania, has turned gloomy. In recent meetings GOL officials and politicians say that the drive to replace the plant has lost momentum and that the Lithuanians are not showing decisive leadership. Representatives from the Greens party questioned whether the facility would be built at all--noting that they have stopped bothering to publicly oppose the project, as they see it dying of its own accord. We believe the GOL would still support the construction of a new Ignalina. Nonetheless, the GOL is clearly rethinking its energy strategy and developing contingency plans should Ignalina founder. End Summary.

¶2. (U) Lithuania's Ignalina Nuclear Power plant plays a vital part in meeting Latvia's overall energy needs. Latvia's long-term energy strategy had been based on a replacement plant for Ignalina coming online by 2015. Post surveyed key officials on their current thinking regarding Ignalina.

¶3. (C) On February 21, PolEconOff met with Ugis Sarma, Director of the Energy Department in the GOL's Ministry of Economy, to gauge his sense of where things stand on Ignalina. Sarma is the closest thing the GOL has to an energy policy guru. His opinion and perspective holds a significant amount of sway with policy makers throughout government. After initial resistance to divulge his opinion, Sarma told Emboff, "We don't see it (Ignalina) being done till 2025. The Lithuanians just started the Environmental Impact Statement now. They estimate this will take one year, but we think it will take longer There is still much political bickering going on over how production shares will be allocated to the various participating states. . . . We still want this, but Ignalina is not really being used for short-term planning purposes for energy needs at this point." Just nine months ago, Sarma was much more optimistic in conversations with emboff.

¶4. (C) On February 22, PolEconOff met with Latvian politician Viesturs Silenieks, a member of the Greens party in Latvia. As would be predicted from a Green, Silenieks opposes Ignalina. However, Silenieks did not bother to make his arguments on environmental grounds. Instead, he argued against the project because, "Money and jobs will go to Lithuania, not Latvia." He had concerns on terrorism grounds in terms of how nuclear waste in particular is protected. He articulated a clear alternative vision for the future of Latvia's energy production, stating that he wants "over a thousand cogeneration plants all over Latvia." The plants would produce both electricity and heating and could be powered by natural gas, oil, biomass, and other fuel sources. Silenieks argued that such an approach would enhance Latvia's energy security, promote its local economy, and could be more environmental if the right technologies and fuel sources were used. He stressed that this would do a better job of fostering energy independence than

Ignalina--especially as Ignalina's fuel sourcing and disposal of spent fuel might be handled by Russia.

¶15. (C) On February 26, PolEconOff also spoke with Ojars Kehris, a former econ minister, former Chairman of the Board of state energy monopoly Latvenergo, and--like Sarma--something of an energy guru in Latvia. Kehris, if anyone, has always come across as an ardent supporter of nuclear energy in general and Ignalina in particular. Yet Kehris, too, sounded a more hesitant note: "I don't think anyone in Latvia can really break this loose and move it forward. Generally it is better to go ahead with this project if possible, but it depends on the Lithuanians. It is important for the Lithuanians to fulfill their role as leaders of this project. Leadership is in their hands." Even eight months ago, Kehris was much more optimistic about the speed with which Ignalina would be accomplished.

¶16. (C) On February 27, PolEconOff met with Martins Jirgens, Parliamentary Secretary at the Minister of Environment (and Greens party member), and Valdis Bisters, Director of Climate Change Policy at the Ministry of Environment. Jirgens and Bisters echoed Silenieks' thoughts on Ignalina, arguing that a sounder approach to energy policy would be to promote many decentralized cogeneration plants throughout Latvia. Jirgens highlighted that Ignalina could cost Latvia about USD 1 billion or more, and that those funds could be better spent building the energy infrastructure within Latvia. He noted that such an approach and would also take pressure off of Latvia's current account deficit as well. As a long-term alternative to nuclear power, both Jirens and Bisters stated that a better approach for Latvia would be to build coal-fired plants that use clean coal technology and carbon capture storage. Jirgens emphasized that Latvia has

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excellent topography for carbon capture--the GOL has already identified 16 potential carbon capture storage sites. Unlike natural gas which comes almost exclusively from Russia, coal could be shipped in by rail from Ukraine, Kazakhstan, or elsewhere.

¶17. (C) Comment: The level of skepticism emboff encountered regarding Ignalina's prospects is new in Latvia. Not much more than a year ago, the general sense was that Ignalina would definitely be replaced and that it would be a key part of the energy mix for Latvia. This new perspective likely stems from the drawn-out political squabbles between Vilnius and Riga that arose in early 2007 when the Lithuanians announced that Poland would be brought into the project. This quarreling, combined with a sense in Latvia that the Lithuanians are not showing clear vision and leadership on the project, has really dampened the Latvian sense that Ignalina is moving ahead. Jirgens stated that the Latvian Green party has stopped bothering to speak out against Ignalina because it seems to be dying of its own accord (and there are political downsides to publicly opposing it). We believe the GOL would still support the construction of a new Ignalina. Nonetheless, the GOL is clearly rethinking its energy strategy and developing contingency plans should Ignalina founder. End Comment.

LARSON